




2010-11 CalPERS Annual Business Plan


Item 6a – Attachment 2

Enterprise Priority 1: Customer Focus, Today & Tomorrow

Focus on today's internal and external customer service by working to improve our core workload delivery, while also focusing on tomorrow by implementing the new myCalPERS and transforming our infrastructure to support the future expansion and improvement of services to our members and employers.

Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
Objective 1 – Enhance consistent, collaborative communication and engagement with stakeholders		Pat Macht	Laura Enderton	<p>Initiatives Completed</p> <ul style="list-style-type: none"> Develop a reputational risk assessment scorecard baseline (December 2010) (COMPLETED) <ul style="list-style-type: none"> Established a steering committee. Identified CalPERS reputational drivers, strengths and weaknesses, key stakeholders, sources of data, and outreach opportunities. Developed a baseline stakeholder relations report based on 2010 media mentions. Conducting Board member interviews on reputational risk which is the final component of scorecard development. <p>In Progress</p> <ul style="list-style-type: none"> Develop an ongoing scorecard assessment system (March 2011) <ul style="list-style-type: none"> A reputational risk implementation plan is under development. Expand collaboration with a variety of constituent, academic, and stakeholder groups, as measured by feedback surveys (March 2011) <ul style="list-style-type: none"> Identified academic groups and developed calendar of events. A Public Employee Compensation & Benefits Task Force was established and began meeting in August 2010. Staff met with UC Davis academics in November 2010, follow-up work with other universities underway. Implement more timely and coordinated messaging for internal and external communications by adhering to well-defined, standard processes and protocols that effectiveness can be measured against (June 2011) <ul style="list-style-type: none"> A project team and scope have been developed. The team will establish policies and standard protocols for internal and external messaging and develop measures for testing communication effectiveness.



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Objective 2 – Implement planned activities in the PSR/ETM/PERT recovery plan		Dale Jablonsky	Karen Ruiz	<p>Initiatives Completed</p> <ul style="list-style-type: none"> ○ Application Refactoring Phase (July 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Refactoring phase included performance improvements in over 50 major areas of the myCalPERS solution. ▪ Resolved over 500 conversion issues and 600 conversion defects. ▪ Enhanced protection of CalPERS members by implementing additional safeguards for testing by masking (de-identifying) personal items. ○ Recovery Phase (November 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Completed online and batch performance improvements. ▪ Resolved conversion defects and Severity 1 and 2 ADA defects. ▪ Completed business processes to-be state and process change documentation. ▪ Completed system test re-execution. ▪ Work related to the required data conversion for end-to-end testing was delayed, but is expected to be completed in the coming weeks. <p>In Progress</p> <ul style="list-style-type: none"> ○ End-to-End Test Phase (March 2011) <ul style="list-style-type: none"> ▪ Test scenarios are under development.
Objective 3 – Implement an enterprise Web-based multi-channel communication service		Lori McGartland	Esther Marcroft	<p>Initiatives Completed</p> <ul style="list-style-type: none"> ○ Establish enterprise policies, procedures, and standards for Webcasts and Webinars (September 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Identified key stakeholders, researched industry best practices and services, and identified target audiences. ▪ Analyzed current CalPERS practices, examined external resources critical for completion, and identified any previous pilot tests or events. ▪ Developed Web communication related policies, procedures, and standards. ○ Equip all Regional Offices to handle virtual member counseling and education (December 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Completed an environmental scan of current progress of the virtual counselor project. ▪ Developed service agreements with facilities and info technology staff to support the Regional Office virtual counselor pilot.

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				<ul style="list-style-type: none"> Installed video cams in Regional Offices and completed four pilots. Developed procedures and delivered staff training. ○ Complete two test pilot programs (December 2010) (COMPLETED) <ul style="list-style-type: none"> Selected Webinar Webcast pilot programs. Developed production team guidelines. Conducted two pilot Webinars in early December 2010 on <i>Potential Changes in Your Employer Contribution Rate</i> and <i>Personal Investment for Retirement</i>. Both Webinars are available on the CalPERS Web site. Held post pilot lessons learned session to refine program going forward. <p>In Progress</p> <ul style="list-style-type: none"> ○ Expand to full service operation (March 2011) <ul style="list-style-type: none"> Completed best practice and ADA compliance resource research. Identified internal facilities to conduct ongoing Webinars Webcasts. Developed projected demand for Web event venues matrix. Work to secure vendors for ongoing Web services is underway.

Enterprise Priority 2: Sustainability

Ensure the sustainability of CalPERS programs and services by improving the delivery of customer service and investment results, adapting to changing conditions, and influencing the policy debates on pension, health, and financial market reforms.

Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
Objective 1 – <i>Protect stakeholder interests, assist policy makers in making decisions, and influence the State and federal pension reform debate</i>	●	Alan Milligan Pat Macht	Ken Nitschke	<p>Initiatives Completed</p> <ul style="list-style-type: none"> ○ Develop policies and practices that provide enhanced actuarial information on the impact of investment volatility on employer contribution rates (December 2010) (COMPLETED) <ul style="list-style-type: none"> Developed an investment return sensitivity analysis that includes methodology used in calculations, disclosure information, and timing. Presented study to the Board in August 2010. Information sent to all State, school, and public agency employers was completed in December 2010 with the mailing of their valuation reports.

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Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
				In Progress <ul style="list-style-type: none"> ○ Provide information and recommendations to the Board on possible needed changes to the actuarial discount rate (March 2011) <ul style="list-style-type: none"> ▪ Prepared an impact analysis on changes to discount rate. ▪ Impact of discount rate change on employer contributions was provided at the November 2010 Asset Liability Workshop. ▪ Recommendations to the Board will be presented in March 2011. ○ Develop and distribute an educational toolkit for elected officials on funding public pensions and post-retirement medical benefits (March 2011) <ul style="list-style-type: none"> ▪ Developed a project team, scope, and outline for a Local Elected Officials toolkit which was distributed at the October 2010 Employer Conference. ▪ Work is underway to develop and distribute a State and federal elected officials toolkit. ○ Provide continuous monitoring, analysis, and impact response on proposed pension reform proposals (June 2011) <ul style="list-style-type: none"> ▪ Established a Pension Soundness Work Group in September 2010 which meets regularly to discuss key pension issues.
Objective 2 – Implement the 2010 Investment Office Roadmap strategies	●	Joe Dear	Kami Niebank	Initiatives Completed <ul style="list-style-type: none"> ○ Improve cost effectiveness (June 2011) (COMPLETED) <ul style="list-style-type: none"> ▪ Achieved \$73 million in ongoing and \$14 million one-time cost savings in real estate, global equity, alternative investments, fixed income, and affiliated investment program. ▪ Realized \$55 million in deferred incentive fees. ▪ Implemented a method for calculating costs savings and processes for tracking fee savings within each asset class and across all asset classes. In Progress <ul style="list-style-type: none"> ○ Enhance organization systems and controls (June 2011) <ul style="list-style-type: none"> ▪ Launched a new online Investment Proposal Submission system and developed proposal decision criteria and screening process. ▪ Formed INVO Operating Committee and strengthened technology governance. ▪ Finalized the Automated Real Estate Investment System (AREIS). ▪ Initiated comprehensive review and simplification of investment policies.

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				<ul style="list-style-type: none"> ▪ Held contract “work-out” session in January 2011. ▪ Completed the Master Custody RFP process. ▪ Launched implementation of new risk system. ○ Improve investment performance and implement enhanced portfolio risk management (June 2011) <ul style="list-style-type: none"> ▪ Established a risk framework and governance structure. ▪ Conducted investment risk survey, completed 23 interviews, conducted risk workshop, and reported to INVO Operating Committee in November 2010. ○ Develop and recommend strategic asset allocation (June 2011) <ul style="list-style-type: none"> ▪ Reviewed five broad asset classes, macro risks, and key drivers of asset returns, including economic growth, inflation, and real yield. ▪ Completed review of alternative asset classifications, including advantages and disadvantages. ▪ Final allocation developed for use in annual capital allocation. ▪ Conducted Asset/Liability Management Workshop in November 2010. ○ Promote the enactment of financial market reform (June 2011) <ul style="list-style-type: none"> ▪ Formed advisory committee of shareowners, diversity groups, and companies. ▪ Frank/Dodd Financial Market Reform legislation passed with significant CalPERS input at Congressional and Executive level. ▪ Engaged 58 companies requesting majority vote reform. ▪ Developed a financial sector focus list and met with directors with seven of CalPERS eight largest financial holdings.
Objective 3 – Implement federal health reform legislation provisions		Ann Boyton	Doug McKeever	<p>Initiatives Completed</p> <ul style="list-style-type: none"> ○ Complete an impact assessment of reform provisions, federal regulations, and State legislation (July 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Completed impact assessments of federal and State health reform laws and 2011 provisions that have had regulations issued by Health and Human Services Agency. ▪ Regulations included the extension of dependent coverage, early retiree reinsurance program, and elimination of lifetime and annual benefit limits. ▪ Project team and procedures have been established to continue development of impact assessments as new federal and State provisions or regulations are adopted.

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				<ul style="list-style-type: none"> ▪ Monthly impact assessment reports have been provided to the Board as new federal provisions are released. ○ Align PEMHCA regulations with statutory changes (September 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Conforming State law and PEMHCA regulations have been adopted for the extension of dependent children up to the age of 26. This provision will be effective January 2011. ▪ Extension of dependent coverage regulations were submitted to Office of Administrative Law in September 2010. ▪ To date this is the only regulation requiring changes. ○ Implement the Early Retiree Reinsurance and Age 26 Dependent Coverage provisions (December 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Presented alternatives and recommendations for implementation of Age 26 coverage to the Board. ▪ Included information on these provisions in the 2010 Open Enrollment package, added expanded information on the CalPERS On-Line Web site, and issued a Circular Letter on implementation to employers. ▪ Completed system requirements with ITSB for Extension of Dependent Coverage Up to Age 26 and began enrolling 23 to 26 year olds. ▪ Obtained first 2010 reimbursement for ERRP. <p>In Progress</p> <ul style="list-style-type: none"> ○ Incorporate fiscal impacts of Reformed Payments in Medicare Advantage and Lifetime/Annual Limits elimination in annual rates process (June 2011) <ul style="list-style-type: none"> ▪ CalPERS instructed the preferred provider organization third-party administrator (Anthem Blue Cross) to remove PERS Choice and PERS Select lifetime limits, effective January 1, 2011. ▪ Awaiting further guidelines on the definition of essential health benefits from the federal Health and Human Services agency.



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Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
Objective 4 – Begin implementation of the CalPERS health benefit redesign and the restructure of the health rate strategy		Ann Boynton	Kathy Donneson	<p>Initiatives Completed</p> <ul style="list-style-type: none"> Complete evaluation of risk sharing across plans and recommend program changes (September 2010) (COMPLETED) <ul style="list-style-type: none"> Completed risk evaluation across health plans. Made improvements to enhance system capabilities, including upgrading the data warehouse with a newer risk model. Added secondary diagnosis codes from Blue Shield and added health data from the Association plans. Milliman Consulting conducted risk analysis and report. Draft results were presented to Board in November 2010 (final report will be in February) Conduct a market scan to evaluate current health plan cost containment efforts for the CalPERS program for 2012 (December 2010) (COMPLETED) <ul style="list-style-type: none"> Engaged consulting firm to conduct market scan. Presented market scan findings to the Board at the January 2011 Offsite. Implement a data-driven rates negotiation process (January 2011) (COMPLETED) <ul style="list-style-type: none"> Drafted a three-year rate setting framework. Updated benefit designs and cost sharing requirements to conform to health reform regulations. Reviewed quarterly health plan financials with HBC. Developed a 2012 rate renewal schedule and project plan. <p>In Progress</p> <ul style="list-style-type: none"> Complete evaluation of current benefit designs and recommend offering changes (June 2011) <ul style="list-style-type: none"> Board approved elimination of lifetime maximums and annual dollar limits in November 2010. Held a meeting with all health plans to standardize benefit changes required by health reform and future values-based purchasing proposals. Incorporated value-based purchasing design and health requirements into 2012 rate renewal documents. Partner with health plans to remove high-cost hospital offerings (June 2011) <ul style="list-style-type: none"> Negotiations underway with Monterey County Hospitals.


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Objective 5 – Implement key Information Technology Strategic Plan initiatives		Dale Jablonsky	John Saxon	Initiatives In Progress <ul style="list-style-type: none"> Develop a strategy for leveraging PSR automated services across the enterprise (June 2011) <ul style="list-style-type: none"> Completed an architecture review of PSR system to identify potential candidates for internal enterprise services. Working to complete business needs analysis and map services to identified enterprise needs. Implement the approved employee self-services identified in the Administrative Services Branch IT Strategy (June 2011) <ul style="list-style-type: none"> Established an ASB IT Strategy Steering Committee. Reviewed potential ERP platforms systems. Identified key employee self-service automated solutions to be implemented this year and set priority schedule.

Enterprise Priority 3: Building Internal Strength

Provide world-class customer service to our members and employers by positioning the enterprise so there is an alignment between culture, business strategy, and organization structure. Create an environment of accountability, integrity, transparency, nimbleness, and innovation utilizing a high-performing employee team with a broad and diverse range of skills, ideas, and perspectives.

Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
Objective 1 – Complete the special review of placement agent issues and adopt appropriate recommendations to implement governance changes		Peter Mixon	Gina Ratto	Initiatives In Progress <ul style="list-style-type: none"> Analyze, report findings, and develop recommendations from the special review investigation (March 2011) <ul style="list-style-type: none"> Analyzed and reported findings of special review report to the Board in December 2010. Researching policy, regulation, and statute information. Developing implementation action steps for each review finding. Providing implementation status update to the Board in February 2011. Complete remedial measures and implement recommendations as appropriate (June 2011) Develop a process for ongoing monitoring, identification, and remediation of governance compliance (June 2011)


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Objective	Status	Executive Assigned	Project Lead	Strategies / Tactics / Initiatives
Objective 2 – Attract, develop, and retain a diverse workforce and build a work culture that reflects diversity and inclusion best practices		Steve Kessler	Lindy Plaza	<p>Initiatives Completed</p> <ul style="list-style-type: none"> ○ Increase overall employee diversity awareness by 5 percent over the 2008 diversity assessment survey baseline (December 2010) <i>(COMPLETED / MEASURE NOT MET)</i> <ul style="list-style-type: none"> ▪ Incorporated diversity issues into the online enterprise Core Values review. ▪ Conducted 6th Annual Cultural Diversity Day event. ▪ Increased internal diversity communications to employees. ▪ Completed diversity awareness gap analysis. ▪ Developing an enterprise diversity and inclusion business plan. ○ Increase leadership commitment scores by 5 percent over the 2008 diversity assessment survey baseline (December 2010) <i>(COMPLETED / MEASURE NOT MET)</i> <ul style="list-style-type: none"> ▪ Developed diversity-related information for managers, supervisors, and senior leadership team. ▪ Modified and expanded training programs to include topics of diversity and awareness, including New Leaders Orientation, Managing Conflict, Understanding Yourself and Others, etc. ▪ Developed mandatory disability awareness training for all leaders, managers, and supervisors. <p>In Progress</p> <ul style="list-style-type: none"> ○ Include actionable diversity and inclusion commitments in all management performance appraisals (March 2011) <ul style="list-style-type: none"> ▪ Developed a mandatory <i>Disability Awareness Training</i> for all CalPERS leaders. ▪ Delivered <i>New Values Training</i> for all Form 700 Filers. ▪ Continued to expand topics regarding Diversity and Include into CalPERS resources and training programs. ▪ Planning a “Generations” workshop for all leaders. ▪ Developing a Diversity and Inclusion Commitment language to be added to performance factors in EPAD reports. ○ Launch a Web-based investment proposal submission system and hold two Webinars to educate emerging managers on CalPERS investment programs, policies, and processes (December 2010) <i>(REQUESTED NEW TARGET DATE OF JUNE 2011)</i> <ul style="list-style-type: none"> ▪ Launched online Investment Proposal Tracking System in July 2010.

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				<ul style="list-style-type: none"> ▪ Integrated emerging investment manager definitions into INVO proposal tracking system. ▪ Developed proposal decision criteria, evaluations scorecards, and communication templates. ▪ Developed an emerging investment manager outreach plan toward achieving CalPERS diversity agenda. ▪ Developed screen evaluation decision criteria for emerging managers. ▪ Planning underway for two Webinars or educational events. <ul style="list-style-type: none"> ○ Implement an ongoing program for all internal and external video communications to ensure compliance with required Americans with Disabilities closed captioning requirements (March 2011) <ul style="list-style-type: none"> ▪ Identified barriers and addressed ADA issues. ▪ Researched closed captioning options for video productions. ▪ Implemented closed captioning and live texting for video productions. ▪ Developing ongoing policies and procedures. ○ Increase enterprise small business and disabled veteran business enterprise contracting and purchasing by 2 percent (June 2011) <ul style="list-style-type: none"> ▪ Researched best practices and identified policy options. ▪ Completed Division-specific spending analyses. ▪ Developed educational presentation for bidders' conferences to maximize SB/DVBE participation. ▪ Developing procurement training to educate users on SB/DVBE programs and spending goals. ○ Expand external legal counsel contracts by creating pools in at least four specialty areas (i.e., employment, labor, immigration, etc.) through the addition of firms reflective of California's diverse population (June 2011) <ul style="list-style-type: none"> ▪ Identified outside legal counsel pools and released solicitation for Health Care law specialty pool in October 2010.
Objective 3 – Institute an Enterprise Risk Management function to effectively evaluate, monitor, and manage risk across the organization	●	Larry Jensen	Michael Champ	Initiatives Completed <ul style="list-style-type: none"> ○ Implement the risk management governance structure, including putting a risk leadership position in place (September 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Crafted risk management recommendations to establish governance

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				<p>infrastructure, including the risk intelligent enterprise management policy, which were presented to the Board in September 2010.</p> <ul style="list-style-type: none"> ▪ Recommendations included functional duty description for an enterprise risk leadership position, policies and guiding principles, role of the executive committee in managing risk, and placement of function in the organization. ▪ Analyzed CalPERS current risk profile and held interviews and focus groups with Senior Management to determine CalPERS specific needs. ▪ Implemented Office of Enterprise Risk Management and Chief Risk Officer, and interim staffing in October 2010. <ul style="list-style-type: none"> ○ Establish the risk management framework and methodologies to monitor and assess risks across the enterprise (December 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Researched best practices for risk management structures. ▪ Conducted surveys and interviews to identify current risk profile and architecture. ▪ Convened Enterprise Risk Management Committee, formed Office of Enterprise Risk Management, and developed Risk Intelligent Enterprise Management Policy. ▪ Conducted risk assessments for the PSR, Health Reform, and Organizational alignment initiatives. ▪ Developed stakeholder reputational risk assessment and scorecard. ▪ Planning a black swan workshop to identify and challenge key business assumptions. ▪ Developing training and risk escalation processes. ○ Institute regular risk management reporting to the Board (December 2010) (COMPLETED) <ul style="list-style-type: none"> ▪ Established the Office of Enterprise Risk Management framework. ▪ Established common risk language and developed glossary. ▪ Provided first regular reporting and Enterprise Risk Focus List to Ad Hoc Risk Management Committee in December 2010. ▪ Developed Enterprise Risk Dashboard. <p>In Progress</p> <ul style="list-style-type: none"> ○ Complete risk profiles for four critical, sensitive functions or initiatives (June 2011) <ul style="list-style-type: none"> ▪ Developed risk heat map and initial mitigation and reporting template. ▪ Completed PSR/ETM/PERT Project risk profile.

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				<ul style="list-style-type: none"> Completed Health Care Reform Program risk profile. Completed Organizational Alignment Initiative risk profile. Health Branch risk profile to begin in coming months.
Objective 4 – Complete the first phase of the Organizational Alignment Initiative		Donna Lum	Russ Fong	<p>Initiatives Completed</p> <ul style="list-style-type: none"> Develop and present high-level organization structure design alternatives to the Board (July 2010) (COMPLETED) <ul style="list-style-type: none"> Primer on organizational structure was presented at the Board of Administration and Executive Staff Offsite in July 2010. Discussion covered several organizational structure models and focused on five potential structure design alternatives for further exploration Team also reported findings from leadership focus groups and past best practices work. Simplify and realign the planning, budgeting, and performance management processes to support improved service delivery (December 2010) (COMPLETED) <ul style="list-style-type: none"> Integrated the business planning framework, resource allocation, and performance management processes to a more interwoven approach. Completed Executive and DC interviews on current process issues. Implemented an aligned CEA performance objective development framework. Realigned the planning timeline, horizon, and structure. Implemented a "transition year" timeline. Fully-aligned, final timeline will kick off in February 2011. <p>In Progress</p> <ul style="list-style-type: none"> Review and affirm the enterprise Core Values to identify any appropriate enhancements and to ensure the culture is aligned with the mission and strategy (June 2011) <ul style="list-style-type: none"> Conducted employee focus groups on current core values and developed a findings report. Conducted Core Values "Super Jam," an online employee discussion on living the core values. Core Values Work Group was developed to address employee feedback and make recommendations on future Core Values. Began communication and outreach to employees on refined Core Values in January 2011.

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				<ul style="list-style-type: none"> ○ Develop a high-level business architecture framework that documents key business functions and processes, and identifies enterprise information assets (June 2011) <ul style="list-style-type: none"> ▪ Analyzed the current organization and developed a draft Functional Hierarchy Diagram documenting CalPERS key business capabilities from a functional perspective. ▪ Developed draft end-to-end lifecycle flows for core enterprise "products", e.g., pension, health plan, employee, contract. ▪ Developing a semantic model to define core enterprise information assets and their relationships. ○ Begin incremental implementation of approved organization structure design (June 2011) <ul style="list-style-type: none"> ▪ Completed organizational design for top three levels of the organization. ▪ Completed the CalPERS Organizational Health survey with record participation. ▪ Presented top three organization levels to Board at the January Offsite. ▪ Creating implantation plan which will include phased approach, resourcing, timelines and milestones, and contingency plans.
Objective 5 – Design and implement an enterprise Succession Plan framework to ensure leadership continuity, retention of institutional expertise, and development of staff	●	Larry Jensen	Mike Willihnganz	<p>Initiatives In Progress</p> <ul style="list-style-type: none"> ○ Develop an enhanced succession planning process (March 2011) <ul style="list-style-type: none"> ▪ Conducted succession planning best practices research. ▪ Identifying elements to be included in succession planning process. ○ Identify critical processes and functions in the organization at risk for the loss of institutional knowledge or expertise needed to maintain core services (March 2011) <ul style="list-style-type: none"> ▪ Reviewed best practices and identified a number of processes/tools traditionally used to support knowledge transfer. ▪ Refining tools to be used to document what institutional knowledge and expertise is at risk of loss. ○ Provide leadership development workshops to strengthen management skills and available talent (March 2011) <ul style="list-style-type: none"> ▪ Identified content and agenda for leadership development workshops. ○ Develop and implement a Leadership Mentoring program that provides leadership development opportunities and fosters functional program knowledge (June 2011) <ul style="list-style-type: none"> ▪ Conducted leadership mentoring best practices research.

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